

AGW 710 CONSULTANCY
FOCUS FINE ENGINEERING SDN BHD

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CHAPTER 1

INTRODUCTION

1.1 Background

In Malaysia, the small business sector has been accepted as an important contributor to the nation's overall wealth and a major source of jobs as it was in many other countries. However, Small Medium Enterprise (SME) contribution to the economy is still comparatively insignificant. Therefore, the Malaysian Government has made the development of SMEs a high priority area, especially those with high growth and export potential. This is indicated in the national development agendas, namely the Ninth Malaysia Plan (9MP) and the Third Industrial Master Plan (IMP3), in which the key strategies for SME development is outlined for the 2006-2010 and 2006-2015 periods respectively (Bank Negara report 2007).

In line with Malaysian Government inspiration and concurrently with the Malaysia 9th Plan, KCSZ Consulting is a consultancy team from Universiti Sains Malaysia, headed by Tuan Haji Noor Nasir bin Kader Ali and Associate Professor Dr. Aizzat Nasurdin as the Principal Consultants and assisted by four Associate Consultants comprising Khor Boon Hou, Chong Chee Hui, Mohd Subri Tahir and Ahmad Zainal Abidin Abdul Razak has approached Focus Fine Engineering Sdn Bhd to undertake a consultancy project for the company in partial fulfillment of the requirements of the Doctor of Business Administration degree program conducted by the University. The consultants profile is attached in Appendix A.

This introductory section will provide a brief overview of the company background, the consultancy problem statement, the consultancy objectives, the consultancy questions and followed by a discussion of the significant of the consultancy.

1.2 Company Background

Focus Precision was formed in 1996. Since January 2005, Focus Precision has been converted to Focus Fine Engineering Sdn Bhd with plant site of 3000 s/f. The core business of this company includes 2D & 3D design, fabrication of mould tooling. The company has expanded its business activities which include:

- Precision Plastic Injection Mould
- CAD-CAM & CNC Machining Centre
- Precision Tools & Dies
- Jig & Fixtures
- Spark Erosion
- Die Casting
- Milling & Grinding Service

The company is located at 21, Lorong Teguh 3, Taman Industri Teguh, 14100 Bukit Mertajam, Seberang Perai Tengah. The company focuses its business operation mainly in Malaysia's Northern region specifically in Penang Industrial Zone for manufacturing industries such as:

- Audio & Video
- Telecommunication

- Automobile
- Pharmaceutical
- Housing Plastic Wear

Currently Focus Fine Engineering Sdn Bhd employs 13 employees. The company motto is Sincerity, Team work, Innovation and Harmony. The company adopt a comprehensive quality policy which states that it uphold a pledge to quality and committed to not only meeting customer requirement but also enhancing customer satisfaction.

Currently, their sales turnover is around RM 2 million per annum. The company has invested mostly on machinery improvements, in order to improve CNC milling with EROWA SYSTEM for better precision measure and shorter duration of production work. Currently, their list of equipment and quantity as follows:

- 1 unit of AWEA (AF-1000) – Spindle speed: 15000rpm
- 1 unit of HARFORD (VMG-1020SPO) – Spindle speed: 8000rp
- 4 units of EDM Machine
- 8 units of QuickChuck 100 p
- 1 unit of Checking pin
- 1 unit of Chuck BT40
- 1 unit of Sensor with ball 05 mm
- 4 unit of Grinding Machine
- 5 units of Milling Machine
- 1 unit of Turning Machine
- 1 unit of Air Tapping Machine

1.3 The Management Team

Managing Director	Mr. Lee Poh Seng
Marketing Director	Mr. Chiam Khim Hoe
Administration	Ms. Khoo Lily
Production Manager	Mr. Tew Siau Wee
Designer	Mr. Goh Pee Heng

1.4 Consultancy Problem Statement

The early discussion with the management team of Focus Fine Engineering Sdn Bhd revealed the symptoms based upon day to day activities in the organization. The main problem is their overall external marketing (marketing and sales), human resource management and operations management and manufacturing . According to Kotler (2000) Marketing is the social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others. Furthermore, the marketing concept rests on four pillars: target market, customer needs, integrated marketing and profitability. Therefore, there must be coordination between the external marketing, human resource management and company's operation to promote organizational performance.

Customer awareness of the company is lacking. Focus Fine Engineering Sdn Bhd has no website that leads to low level of customer awareness and low market share. Moreover, Focus Fine Engineering Sdn Bhd has a very limited customer causing the company to be highly dependent on few customers only. Therefore, the company can be

considered exposed to a high risk situation. Focus Fine Engineering Sdn Bhd needs to get more customers in order to reduce the dependencies risk.

In addition, Focus Fine Engineering Sdn Bhd also faces problems with regard to the human resource management and manufacturing readiness (operation). The human resource includes organizational structure and employee development. As for the manufacturing readiness (operation) the area concern includes managing scraps and machine maintenance. Thus, consultancy team has identified the four major problems faced by Focus Fine Engineering Sdn Bhd that were poor external marketing (sales and marketing), human resource management and operations management. The identified four (4) main areas of concerns are:

a. Sales and Support

The discussion with the top management and the owner reveals several symptoms of poor external marketing strategy at Focus Fine Engineering Sdn Bhd. Sales are dropping and the price of the mold and die offered by other competitors locally or abroad are lower as compared to Focus Fine Engineering Sdn Bhd. Some of the companies are moving their mass production activities out of Penang. In addition, these past few years, a lot of competitors had entered the market and have pushed the price down. Focus Fine Engineering Sdn Bhd does not have a reputable image as compared to other company in this field. Thus it is difficult to gain existing customer and potential customer trust. The customer would prefer to do business with a more trustworthy and reputable mould maker.

From the above discussions we can conclude that the problem statement for sales and support: The management lacks sales and promotional strategies to gain the trust of its clients.

b. Marketing

The main problems are the company profile and have no web page. Focus Fine Engineering Sdn Bhd does not have a well documented and digital power point company profile for their marketing purposes. The company never engaged professional in forming the company profile. Therefore, Focus Fine Engineering Sdn Bhd unable to portray its professional image as intended to project their professionalism as mould and die maker. The company used hardcopy (in a file form) as their presentation to their potential customer.

Focus Fine Engineering Sdn Bhd does not have web page and marketing strategy used mainly is through personal selling method. Even though, the most effective due to its nature which involves technicality but as at present is a digital era, web page will be a compliment to the traditional marketing (personal selling). As a matter of fact, it will be difficult for potential customer to asses the capability of the company. Furthermore, personal selling pose constraint that is the marketing coverage is limited. Therefore, it is essential for the Focus Fine Engineering Sdn Bhd to improve the marketing by widening coverage through introducing its own web page. By having a web page, the company will be able consequently benefits such as:

- **Speedy Reaction:** The company able to add quickly new products and services offering and description. New information can be add to the web site very quickly.
- **Convenience:** Customer can easily access to the company products and 24 hours.
- **Low Cost:** Web site maintenance is cheap comparatively to other mean of marketing tools.
- **Relationship marketing:** Through interactive web site, Focus Fine Engineering Sdn Bhd would be able to gain information from their. (e.g. online customer survey). Thus, provide the company to take corrective action necessary.

From the above discussions we can conclude that the problem statement for marketing: The owners and top management do not believe in marketing strategies and market orientation that includes information generation and intelligence dissemination.

c. Operations Management

The interview conducted with the key management employees of Focus Fine Engineering Sdn Bhd comprising of the owners, Mr. and Mrs. Lee, as well as the Sales and Marketing Manager, Mr. Chiam, whom basically responsible for the entire business development and sales and marketing activities of the company, indicating that Focus Fine Engineering Sdn Bhd recently encounters very stiff competitions from both local competitors, as well as the low costs emerging new economies, such as China, Vietnam and India. Focus Fine Engineering Sdn Bhd indeed is loosing up business opportunities from some its existing customers, in

view of its high mold price's proposal and their inability to further cutting down their original proposal which is considered as low profit margin, in responding to the customers' aggressiveness on their request for quotation (RFQ). As such, it is inevitable for the survival in this highly competitive industry, Focus Fine Engineering Sdn Bhd need to seriously enhance its manufacturing efficiency in order to gain its competitive advantage.

The observations and data gathering activities indicating that the mold manufacturing process is indeed with high production scraps. High production scraps not only increases the burden of its operating costs, such as the incurred of additional machining overtime to re-fabricating the defective parts, also the inability to detect the defective machined parts during the manufacturing process, would caused the delay in project completion and as a result would impact on the customer's on time delivery.

Frequent unscheduled machines breakdown is the other manufacturing weakness which clearly shown on the data gathering exercise. The high unscheduled machine breakdown on the CNC machining Centre, electric discharge machines, not only causes the operational inefficiency and high operating costs as an consequence, it also delay the duration of completion of the mold fabrication, and may cause the delay in customer on time delivery again.

The ability to resolve the high production scraps and unscheduled machines breakdown certainly will significantly contribute to the following company performance.

- Establish and appropriately documented the quality inspection system of in process machined parts inspection, final part buy off.
- Significantly cutting down operating costs and improving operations profitability.
- Enhancing customer service and relationship through customer on time delivery.
- Overall improving the operational effectiveness and efficiency of the company to face any challenging business operating environments.

From the above discussions we can conclude that the problem statement for operations management: Inability to detect defective machined parts during manufacturing process; and inability to implement Plan Preventive Maintenance (PPN) and minimise machine breakdown.

d. Human Resource Management

Two major areas were identified as the major problems faced by Focus Fine Engineering Sdn Bhd and they were performance appraisal and employees development. Firstly is the ineffective performance appraisal and it seems to be the major problem since the company has no proper performance appraisal system. Therefore the company could not identify, encourage, measure, evaluate, improve, and reward employee performance at work. Obviously, poorly done performance appraisals lead to disappointing results for all concerned. Furthermore, most workers are young school leavers and do not have working experience in mould and die making. All work related knowledge was obtained via on job training. The following symptoms based upon Human resource management day to day activities in the organization reveals as follows:

- Inexperience workers at the point of entry. Late delivery of product to customers.
- High defects in production cause by human error.

- Job requires long hours to complete.
- No training provided to employees.
- No proper job description.
- No. proper line of command

Therefore, the company needs to introduce proper performance management to assess the workers performance to achieve organizational goals and appropriate employees development program (training). Thus, enable the company to formulate strong mission and vision statement for the Focus Fine Engineering Sdn Bhd.

From the above discussions we can conclude that the problem statement for operations management: Ineffective performance appraisal and employee development plan that impacts on business performance.

1.5 Consultancy Objectives

The main objectives are to enhance the following area:

1. To identify, analyse and improve sales and promotional strategies.
2. To identify, analyse and improve marketing strategies development and implementation; and market orientation.
3. To identify, analyse and improve operations management efficiency and effectiveness through operations management, specifically scrap reduction and PPM.
4. To identify, analyse and improve human resource management especially performance appraisal system, training needs and employee development programs.

1.6 Consultancy Questions

1. What are the sales strategies and promotional strategies that improve Focus Fine Engineering Sdn Bhd profitability?
2. What are the marketing strategies development and implementation and promotional strategies that can improve Focus Fine Engineering Sdn Bhd profitability?
3. What are the improvements of operations management that can improve Focus Fine Engineering Sdn Bhd profitability?
4. What are the required activities needed to improve human resource management that can enhance Focus Fine Engineering Sdn Bhd profitability?

1.7 Scope of Consultancy Research

The objective of this consultation project is to evaluate and analyze the issues put forward as above within four respective areas as follows:

- i. Sales
- ii. Marketing
- iii. Operation management
- iv. Human Resource Management.

1.8 Significance of Consultancy Research

The Baseline Census of Establishments and Enterprises was conducted in 2005 (Census 2005) and provided important data on the profile and performance of SMEs to facilitate the formulation of effective policies and strategies to support SME

development. Based on the responses of 552,804 business enterprises, SMEs formed 99.2% or 548,267 of the business establishments in Malaysia, of which almost 80% or about 435,300 are micro enterprises. The findings revealed that 87% of SMEs are in the services sector, followed by 7.2% of SMEs in the manufacturing sector and 6.2% in the agriculture sector.

The development of a strong and dynamic SME sector is an important national agenda towards creating sustainable and balanced economic growth (Bank Negara, 2007). Due to its important to the nation, the National SME Development Council in the year or 2007 had taken further steps to spur the development of SMEs to the next level by strengthening the enabling infrastructure for SME development, building SMEs' capacity and capabilities, and improving access to financing by SMEs.

The establishment of the SME Business Adviser Network, a one-stop web-based directory in the SMEinfo Portal (www.smeinfo.com.my) provides a platform for SME business advisers in the various Government agencies and financial institutions to connect and leverage on each other in their respective areas of expertise. The network enables SMEs to put forward enquiries and issues online, directed to the SME business advisers. This enables a timely and comprehensive range of high-quality advisory services in the areas of marketing, technology and operations management, human resource, financing, and business and product development to be made available to SMEs. Currently, there are more than 200 business advisers from financial institutions and SME-related Government agencies connected through the network to provide comprehensive, online advisory services to SMEs.

Malaysian Government acknowledges the significance and importance of the SMEs towards the nation economy. Therefore, this consultancy is in line with the Malaysian government aspiration to improve and enhance SMEs performance. This consultancy addressed the problem faced by Focus Fine Engineering Sdn Bhd internally and externally. The external (sales and marketing) problems were tackled to improve and enhance Focus Fine Engineering Sdn Bhd revenue and eventually lead to company profitability. The internal problems which can be divided into two areas were the operation and human resource management. All of these problems need to be solve as it is crucial to the company's performance.

As for the conclusion, the major concerned from the company is to obtain recognition from the customers as the business is highly depended on trust. The main challenge will be to be known as reliable and capable in securing business contract. Therefore the company needs to formulate new business strategies that relate to sales, marketing, human resource policy and operation management.

Thus, this consultant team proposed that the company need to improve on the following:

- Sales and promotional strategies
- Marketing strategies development and implementation, and market orientation
- Operations management particularly in manufacturing efficiency improvement
- Human Resource management especially performance appraisal and training needs and employee development programs.

1.9 Summary

This chapter covered the background of this consultancy, the consultancy problem statement and its consultancy objective of this consultancy project. The next chapter will cover the theory and concept (literature review) related to our consultancy project.

1.10 Organization of this report

The underlying theory and concept were discussed in chapter 2, the methodology in chapter 3, analysis and finding in chapter 4 and we ended with the discussion and conclusion in chapter 5.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter looks at the overview of the literature on the theory and methodologies applied in this consultancy project. This chapter is divided into seven sections. The discussion is done in a logical sequence to cover the main aspects of the literature methodology to achieve the objective set for this project. Specifically, section one discussed the overall picture for this project, from its initial stage until the end, section two presents the main four theories applied that is useful for this project, section three covers the literature, thus is used to identified the gaps for this consultancy project, section five presents the theoretical frame work, section six covers the variables used for this consultancy project and section seven is the summary of the chapter. Theoretical framework and hypotheses are developed based on the literature.

2.2 The Underlying Theories

This section covers the three main theories that were applied in this project. The theories applied were the foundation and the source in ensuring the appropriateness and sustainable business solutions for Focus Fine Engineering Sdn. Bhd.

The core competency of Focus Fine Engineering Sdn. Bhd. is focused n their technical capabilities, mainly in precision plastic injection, 2D & 3D design and fabrication of mould tooling, reverse engineering and rapidly turn around time for

delivery. Focus Fine Engineering Sdn. Bhd. is also committed to not only meeting their customer requirement but also enhancing customer satisfaction.

This strength was not fully utilized to its fullest potential. First, Focus Fine Engineering Sdn. Bhd. even though have managed to acquire new businesses opportunities, but they were unable be visible to potential customers, the market was not aware of Focus Fine Engineering Sdn. Bhd.'s existence, as such, not many new customers or business opportunities were available to Focus Fine Engineering Sdn. Bhd., this is where the Porter's competitive strategy and Market Orientation is useful to help Focus Fine Engineering Sdn. Bhd. to strategies their marketing strategy in positioning themselves strongly in their market through studying their competitors, customers, suppliers, potential entrants or products substitution. Secondly, Focus Fine Engineering Sdn. Bhd. needs to improve its internal capabilities which are directly under their control. The two areas concerned are the human resource and operational capabilities. Inline with Resource Based theory (RBV), Focus Fine Engineering Sdn. Bhd. need <must be able> to leverage on their technical capabilities to optimize their efficiency and effectiveness in the mold manufacturing process. Manufacturing efficiency Improvement particularly in the production machines maintenance and production scraps improvement will further enhance their operational capabilities that will and became the valuable resources to improve the performance of Focus Fine. In addition to this, the most important resources in the organization is the human factor, thus by engaging and utilizing its manpower effectively, Focus Fine Engineering Sdn. Bhd. will be able to produce better products and quality products, which is in line with Social Exchange theory.

2.2.1 Resource Base Theory (RBV)

This theory is currently a dominant view of corporate strategy. The resource-based theory or resource-based view (RBV) of firms is based on the concept of economic rent and the view of the company as a collection of capabilities. This view of strategy has a coherence and integrative role that places it well ahead of other mechanisms of strategic decision making.

Traditional strategy models such as Micheal Porters's Five forces model focus on the company's external competitive environment. Most of them do not attempt to look inside the company. In contrast, the resource-based perspective highlights the need for a fit between the external market context in which a company operates and its internal capabilities.

In contrast to the Input / Output Model (I/O model), the resource-based view is grounded in the perspective that a firm's internal environment, in terms of its resources and capabilities, is more critical to the determination of strategic action than is the external environment. "Instead of focusing on the accumulation of resources necessary to implement the strategy dictated by conditions and constraints in the external environment (I/O model), the resource-based view suggests that a firm's unique resources and capabilities provide the basis for a strategy. The business strategy chosen should allow the firm to best exploits its core competencies relative to opportunities in the external environment.

The RBV argues that firms possess resources, a subset of which enables them to achieve competitive advantage, and a subset of those that lead to superior long-term performance. Resources that are valuable and rare can lead to the creation of competitive

advantage. That advantage can be sustained over longer time periods to the extent that the firm is able to protect against resource imitation, transfer, or substitution. In general, empirical studies using the theory have strongly supported the resource-based view (<http://www.istheory.yorku.ca/rbv.htm>).

The RBV is an economic tool used to determine the strategic resources available to a firm. The fundamental principle of the RBV is that the basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable resources at the firm's disposal (Wernerfelt, 1984; Rumelt, 1984). To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile (Barney, 1991; Peteraf, 1993). Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort (Hoopes, 2003; Barney, 1991). If these conditions hold, the firm's bundle of resources can assist the firm sustaining above average returns.



Strategic Management

Resource-Based Model of Above-Average Returns

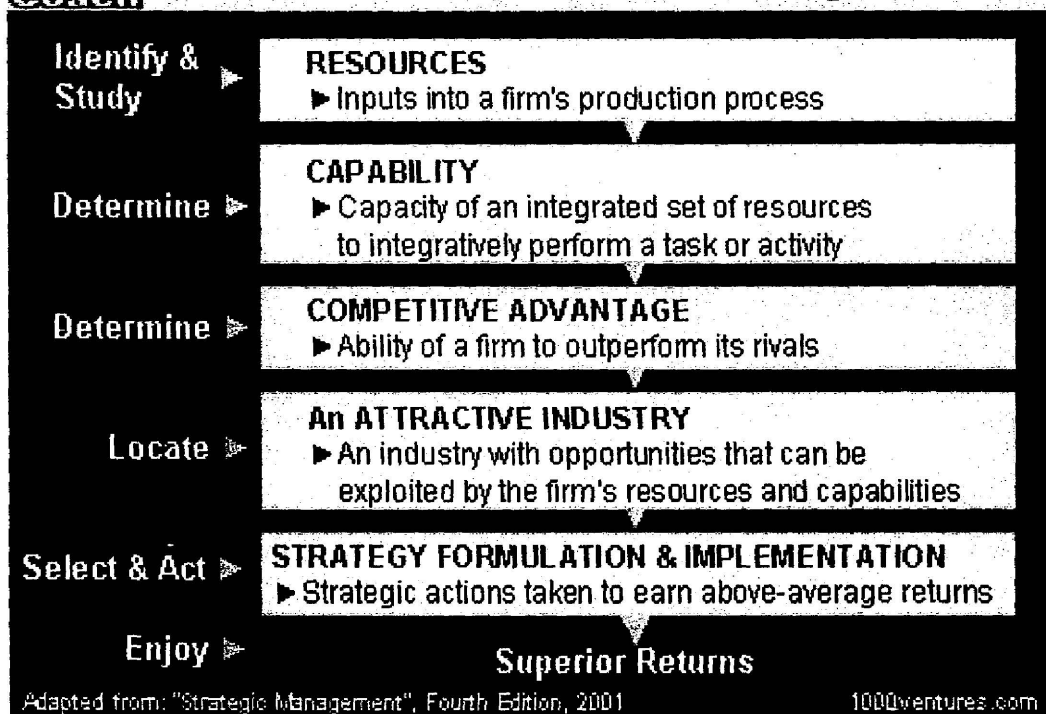


Figure 2.1 Resource-Based View Model

Source:

http://www.1000ventures.com/business_guide/mgmt_strategic_resource-

2.2.1.1 Resource

Jay Barney (1991) referring to Daft (1983) "citation needed" says: "...firm resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc; controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness (Daft,1983)." A subsequent distinction made by Amit & Schoemaker (1993) is that the encompassing

construct previously called resources can be split up into resources and capabilities. In this respect resources are tradable and non-specific to the firm, while capabilities are firm-specific and used to utilize the resources within the firm, such as implicit processes to transfer knowledge within the firm (Makadok, 2001; Hoopes, Madsen and Walker, 2003). This distinction has been widely adopted throughout the resource-based view literature (Conner and Prahalad, 1996; Makadok, 2001; Barney, Wright and Ketchen, 2001). In Focus Fine Engineering Sdn Bhd, the resources are the employee skills, knowledge, technical know how and tangible resources such as machines and tooling.

2.2.1.2 Competitive Advantage

Competitive Advantage can be attained if the current strategy is value-creating, and not currently being implemented by present or possible future competitors (Barney, 1991). Although a competitive advantage has the ability to become sustained, this is not necessarily the case. A competing firm can enter the market with a resource that has the ability to invalidate the prior firm's competitive advantage, which results in reduced (read: normal) rents (Barney, 1986b). Sustainability in the context of a sustainable competitive advantage is independent with regards to the time-frame. Rather, a competitive advantage is sustainable when the efforts by competitors to render the competitive advantage redundant have ceased (Barney, 1991; Rumelt, 1984). When the imitative actions have come to an end without disrupting the firm's competitive advantage, the firm's strategy can be called sustainable. This is contrary to other views (e.g. Porter) that a competitive advantage is sustained when it provides above-average returns in the long run. (1985).

One key requirement for corporate success in this competitive environment is recognizing how to sustain competitive advantage. According to Porter (1999), we can create competitive advantage as we make tough choices about what we will do and not do. Competitive advantage is normally defined as the ability to earn returns on investment consistently above the average for the industry (Porter, 1985). Barney (1991) indicates that a firm is said to have a competitive advantage when it implements a value creating strategy not simultaneously being implemented by any current or potential competitors. Sustained competitive advantage is recognized as the level of exceptional performance that a firm attains when it devises and implements a value-enhancing strategy that is not concurrently being followed by any existing or possible competitors and when these firms are either incapable or reluctant to reproduce the benefits of this strategy (Barney, 1991; Lado and Zhang, 1998). Sustainable competitive advantage results only from strategic assets (Meso and Smith, 2000). According to Mahoney and Pandian (1992), competitive advantage is a function of industry analysis, organizational governance and firm effects in the form of resource advantages and strategies.

The resource-based view of the firm dominates the strategic management literature and has also found use in the management information systems (MIS) literature (Priem and Butler, 2001). It was developed to explain how organizations achieve sustainable competitive advantages. Advocates of the resource-based view have tried to explain why firms differ and how it matters (Barney, 1991; Wernerfelt, 1984, Hoopes, Madsen and Walker, 2003).

Resource-based theory treats enterprises as potential creators of value-added capabilities, and the underlying organizational competences involve viewing the assets

and resources of the firm from a knowledge-based perspective (Prahalad and Hamel, 1990; Conner and Prahalad, 1996). It focuses on the idea of costly-to-copy attributes of the firm as sources of business returns and the means to achieve superior performance and competitive advantage (Barney, 1991; Rumelt, 1987; Conner, 1991, Prahalad and Hamel, 1990).

A firm's resources consist of all assets both tangible and intangible, human and nonhuman that are possessed or controlled by the firm and that permit it to devise and apply value-enhancing strategies (Barney,1991; Wernerfelt,1984). Unique resources and capabilities are discussed under a variety of names, e.g. distinctive competences, core competences, invisible assets, core capabilities, internal capabilities, embedded knowledge, corporate culture, and unique combinations of business experience (von Krogh and Roos, 1995). Resources and capabilities that are valuable, uncommon, poorly imitable and nonsubstitutable (Barney, 1991) comprise the firm's unique or core competencies (Prahalad and Hamel, 1990) and therefore present a lasting competitive advantage. Intangible resources are more likely than tangible resources to generate competitive advantage (Hitt, Bierman, Shimizu and Kochhar, 2001). Specifically, intangible firm-specific resources such as knowledge permit firms to add up value to incoming factors of production (Hitt et al., 2001). It represents competitive advantage for a firm (Prahalad and Hamel, 1990; Collis and Montgomery,1995; Post,1997; Markides,1997; Bogner,Thomas and McGee,1999). Such advantage is developed over time and cannot easily be imitated. Barney (1991) regards resources as those controlled by a firm that allow the firm to formulate and implement strategies that expand its efficiency and effectiveness. He developed the VRIO framework for assessing what kinds

of resources would present sustainable competitive advantage. It also constitutes a part of RBV.

The key points of the theory are:

1. Identify the firm's potential key resources.
2. Evaluate whether these resources fulfill the following (VRIN) criteria:
 - *Valuable* - A resource must enable a firm to employ a value-creating strategy, by either outperforming its competitors or reduce its own weaknesses (Barney, 1991). Relevant in this perspective is that the transaction costs associated with the investment in the resource cannot be higher than the discounted future rents that flow out of the value-creating strategy (Mahoney and Prahalad, 1992; Conner, 1992).
 - *Rare* - To be of value, a resource must be by definition rare. In a perfectly competitive strategic factor market for a resource, the price of the resource will be a reflection of the expected discounted future above-average returns (Barney, 1986; Dierickx and Cool, 1989; Barney, 1991).
 - *In-imitable* - If a valuable resource is controlled by only one firm it could be a source of a competitive advantage (Barney, 1991). This advantage could be sustainable if competitors are not able to duplicate this strategic asset perfectly (Peteraf, 1993; Barney, 1986). The term isolating mechanism was introduced by Rumelt (1984) to explain why firms might not be able to imitate a resource to the degree that they are able to compete with the firm having the valuable resource (Peteraf, 1993; Mahoney and Pandian, 1992). An important underlying factor of inimitability is causal

ambiguity, which occurs if the source from which a firm's competitive advantage stems is unknown (Peteraf, 1993; Lippman and Rumelt, 1982). If the resource in question is knowledge-based or socially complex, causal ambiguity is more likely to occur as these types of resources are more likely to be idiosyncratic to the firm in which it resides (Peteraf, 1993; Mahoney and Pandian, 1992; Barney, 1991).

- *Non-substitutable* - Even if a resource is rare, potentially value-creating and imperfectly imitable, an equally important aspect is lack of substitutability (Dierickx and Cool, 1989; Barney, 1991). If competitors are able to counter the firm's value-creating strategy with a substitute, prices are driven down to the point that the price equals the discounted future rents (Barney, 1986; Conner, p137), resulting in zero economic profits.

3. Care for and protect resources that possess these evaluations because doing so can improve organizational performance (Crook, Ketchen, Combs, and Todd, 2008).

2.2.1.3 Resource-Based View History

Some aspects of theories are thought of long before they are formally adopted and brought together into the strict framework of an academic theory. The same could be said with regards to the resource-based view. While this influential body of research within the field of Strategic Management was named by Birger Wernerfelt in his article *A Resource-Based View of the Firm* (1984), the origins of the resource-based view can be traced back to earlier research. Examples, elements can be found in works by Coase